



SOCIETY OF ACTUARIES

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Life Insurance and Annuities
Life and Health Corporate Affairs
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Corporate with Governmental Demographic
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Encourage Interest in Actuarial Careers
Investments
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RECENT SOCIAL SECURITY CHANGES

by Francisco Bayo

The Social Security changes that were passed by the Congress before the Christmas recess were signed into law (P.L. 93-233) on Dec. 31, 1973. These new changes were principally intended to advance the payment of part of the automatic benefit increase that would have been payable according to the provisions enacted in 1972. The most important changes are as follows:

(1) OASDI monthly benefits are increased by 11% effective for June 1974, first to be reflected in the July 3, 1974 checks. A temporary increase in benefits of 7% will be payable for the 3-month period March to May 1974. These increases replace the 5.9% increase for June 1974 that was included in P.L. 93-66 enacted last summer.

(2) The automatic benefit adjustment provisions were modified. The first possible increase in benefits would be effective for June 1975 and would be based on the increase in the Consumer's Price Index from the second quarter in 1974 to the first quarter in 1975. Automatic increases in subsequent years would also be effective for the month of June and would be based on changes in the CPI from first quarter to first quarter.

(3) The taxable earnings base was increased to \$13,200 for 1974 and will be automatically adjusted thereafter. The first automatic increase will be effective in 1975 based on the increase in wages between 1973 and 1974.

(4) The tax schedule was revised so that the total OASDHI rate would remain as in previous law through calendar year 1980. Thereafter, the scheduled total rate was increased by either 0.15% or 0.20% of taxable payroll for employer and employee, each.

(5) The level of payment under the Supplemental Security Income program was increased to \$140 from \$130 per month for an individual and to \$210 from \$195 per month for a couple, effective for January 1974. These amounts will be further increased to \$146 and \$219 effective for July, 1974. □

are some limits to such a situation—the providers of service might rebel if the financial screws on them are tightened too rapidly or too much, or the beneficiaries might rebel if they are regimented or controlled too much as to their desires for medical services. □

Medicare

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to the citizens of this nation? When the insurer—whether it be the Federal Government or a Health Maintenance Organization (i.e. a group practice prepayment plan) — has the power and responsibility of both financing and providing (or controlling the providing of) medical care, the situation is completely different than when these functions are separated.

The cost of health benefits under such a situation is no longer actuarially determinable, or even remotely so. Such cost can really be almost whatever the insurer or provider decides that they should be. Supply can be tailored to meet—or, more properly, reduce—the demand, so as to stay within the cost confines. Whether or not this is desirable, or whether any humans have the ability to so decide, is debatable—in my view, not likely to be the case. There